

VZCZCXRO7056
PP RUEHLMC
DE RUEHMU #1963/01 2341312

ZNY CCCCC ZZH
P 221312Z AUG 07
FM AMEMBASSY MANAGUA

TO RUEHC/SECSTATE WASHDC PRIORITY 1079
INFO RUEHZA/WHA CENTRAL AMERICAN COLLECTIVE PRIORITY
RUEKJCS/SECDEF WASHDC PRIORITY
RUMIAAA/CDR USSOUTHCOM MIAMI FL//J2/J3/J5// PRIORITY
RUEAIIA/CIA WASHDC PRIORITY
RUEABND/DEA HQS WASHINGTON DC PRIORITY
RHEFDIA/DIA WASHINGTON DC PRIORITY
RUEKJCS/JOINT STAFF WASHINGTON DC PRIORITY
RUEHLMC/MILLENNIUM CHALLENGE CORP WASHDC PRIORITY
RUEHMU/USMILGP MANAGUA NU PRIORITY
RHEHNSC/NSC WASHINGTON DC PRIORITY

C O N F I D E N T I A L SECTION 01 OF 04 MANAGUA 001963

SIPDIS

SIPDIS

NSC FOR V ALVARADO

E.O. 12958: DECL: 08/20/2017

TAGS: PGOV PHUM ECON KDEM NU

SUBJECT: FEAR AND LOATHING ON NICARAGUA'S ATLANTIC COAST

REF: A. MANAGUA 1783
1B. MANAGUA 1944

Classified By: Ambassador Paul Trivelli for reasons 1.4b,d

11. (C) SUMMARY: Our contacts on Nicaragua's Atlantic Coast ("costenos") support the Ambassador's non-combative engagement strategy with President Ortega's administration. With many households almost wholly dependent on remittances from family members working in the U.S., costenos are fearful of the impact of Ortega's anti-U.S. rhetoric on bilateral relations. The coast's dismal economic situation fuels continued concern over drug-trafficking and personal security and is causing an exodus of young people from the region, robbing it of future economic and political leaders. At the heart of coast's economic woes is the 20-year old Law 28, the Law of Autonomy. Under Law 28, the coast does not enjoy financial autonomy, and its communal property laws and complex territorial arrangements discourage private investment. Opposition political party unification efforts in the regional capitals of Bluefields and Puerto Cabezas are far ahead of Managua. Further, political and civic leaders have thus far repelled the efforts of the Sandinista National Liberation Front's (FSLN) Citizen Councils to establish a presence on the Atlantic Coast. Future USG efforts to strengthen democratic forces on the Atlantic Coast should include the Catholic and Moravian churches which wield tremendous influence up-and-down the coast and face increasing pressure from the Ortega administration. END SUMMARY

12. (U) From August 9-11, the Ambassador visited the Atlantic Coast towns of Bluefields in the Autonomous Southern Region (RAAS) and Puerto Cabezas in the Autonomous North (RAAN) to inaugurate several projects, including two mediation centers, a model school in the Excellence program, a municipal family health project, and a refurbished Navy patrol boat refitted to undertake long voyages in open water as part of the USG's anti-narcotic assistance efforts. In addition, the Ambassador spoke with religious, community, and political leaders in both communities about the situation on the Atlantic Coast.

Costenos Support Embassy Engagement Strategy

- - - - -
13. (C) Leaders in the RAAS and RAAN unanimously support the Embassy's engagement strategy with the Ortega Administration.

Initially fearful that the U.S. would "abandon" the Nicaraguan people following the elections, leaders expressed satisfaction that U.S. involvement and programs are continuing. Further, they praised the Ambassador for his positive public discourse, refusing to be provoked by Ortega's verbal attacks on the U.S. In fact, Ortega's attempts to discredit the U.S., according to leaders, are having the opposite affect on the Atlantic Coast, bolstering the image of the U.S.

¶4. (C) Costenos are hyper-sensitive to U.S. policy in Nicaragua because of their dependence on monthly remittances. According to leaders in both the RAAS and RAAN, nearly every household receives funds from a family member working in the U.S. In many instances, they reported, remittances are the sole source of household income, masking, to a degree, the gravity of the economic situation in these regions.

Security Key Concern for Costenos

¶5. (SBU) Given the high rates of unemployment, drug trafficking and petty theft remain constant problems on the Atlantic Coast. Police and civic officials acknowledge that recent counter-drug initiatives have reduced the flow of illicit substances, however, trouble remains. Although relations between the police and military were characterized as "close" and "cooperative," general public security in both regional capitals is a problem, reported community leaders, impacting local business and tourism. Adding to the difficulty in the RAAS, is the long legal backlog due to a severe shortage of prosecutors. With only two prosecutors in the entire region, the Bluefields chief of police lamented that drug traffickers operate with near impunity, knowing they will never be convicted if caught.

Law of Autonomy Holding Back Development

¶6. (U) The lack of development -- and subsequent economic problems -- on the Atlantic Coast can be traced back to Law 28 - the Law of Autonomy. Passed in 1988 by then-President Ortega, the law was designed to "calm down" the indigenous communities on the Atlantic Coast without, according to the Bluefield mayor, being the "most appropriate" law. Under Law 28, indigenous communities do not enjoy fiscal and budgetary autonomy. In addition, those regional businesses that do pay taxes, pay them directly to Managua, leaving coastal communities without the means to make autonomous decisions about public works investments.

¶7. (C) In nearly every meeting, the Ambassador underscored the importance of property rights and clear title to attracting foreign investment and driving growth. Under Law 28, all land is communal and potential investors face a dizzying array of councils and committees -- regional, municipal, territorial, and community -- to win approval to use, by lease, any land. As a result, infrastructure projects have languished for years and national and international private investors shy away from the region, focusing instead on the Pacific Coast.

¶8. (SBU) Leaders were receptive to the Ambassador's idea of a formal 20-year anniversary study to evaluate the effects of Law 28 and to propose changes to facilitate investment. RAAN governor Reynaldo Francis has proposed reforms to streamline the negotiation process with regional and local authorities. In his own efforts to attract international investment, Francis remarked that he had been in California the week prior meeting with Nicaraguan/American businessmen to explain the value proposition and process for investing in the coast.

¶9. (C) Francis appears to be the exception. Most costenos, although recognizing the serious shortcomings of Law 28, have taken very little initiative to change the law. Most blamed their National Assembly representatives, accusing them of forgetting about the coast once they get to Managua. While political neglect is a likely contributing factor, the

complex structure of regional councils and committees set up under Law 28 makes it nearly impossible to reach consensus for coherent reform.

Oil Exploration - Ready and Willing

- - - - -

¶10. (C) Infinity Oil and MKJ oil exploration projects have both fallen prey to this complex process and the political infighting that accompanies it. Regional council members and governors in both the RAAS and RAAN voiced strong support for the oil firms and were frustrated that the projects had been blocked by procedural problems. However, Francis as well as the president of the RAAS regional council, Maria Lourdes Aguilar Gibbs, informed the Ambassador that the companies had not consulted with the regional councils as required by law (although the firms did follow the advice of the central government), thus slowing down the process. Other leaders remarked, more cynically, that the oil exploration projects would not get off the ground until certain "party interests" were involved, implicating the FSLN and PLC.

Civil Society / Youth Disengaged

- - - - -

¶11. (SBU) Due to the Atlantic Coast's grim economic situation, religious, political, and civil society leaders warned of a general lethargy among youth and civil society. These leaders insist that this trend threatens security, democracy, sense of community, and future economic opportunities. The former mayor of Bluefields, remarked that only 300 people protested the brutal killing of four police officers last year. Vote buying in both regions is also common practice, with people reportedly selling their votes for as little as five dollars. Instead of working for change, young people are leaving the Atlantic Coast, getting involved in drug-trafficking, or simply existing from remittances, with a resulting paucity of young emerging political and social leaders. Across the board, these community leaders urged U.S. support for programs to re-engage youth and civil society.

CPCs Threaten Autonomy, not Welcome

- - - - -

¶12. (C) Given the fragility of the economic and social situation in both regions, leaders are very concerned about the Citizen's Councils which they see as the Ortega government's attempt to subjugate regional authorities to will of the Sandinistas (reftel B). Thus far, the CPCs have met strong resistance by authorities in both regions and have not been established in either Bluefields or Puerto Cabezas. However, our interlocutors warned that the costenos' poverty and poor education make them easy to manipulate, and that the CPCs may slowly penetrate the coast through programs like Zero Hunger (reftel A) that promise token assistance. Leaders fear that, once entrenched, the CPCs would be difficult to extract, threatening the region's autonomy by demanding compliance with Ortega's wishes in exchange for government funding and resources.

Political Opposition Groups Working Together

- - - - -

¶13. (SBU) Despite the lack of Liberal unity between the Liberal Constitutional Party (PLC) and Nicaraguan Liberal Alliance (ALN) at the central level in Managua, on the Atlantic Coast, democratic opposition groups are working together in preparation for the 2008 municipal elections. In the RAAS, opposition political groups have been formally working together for the past 15 months. In the RAAN, seven political groups signed a unity agreement three months ago, although discussions continue. Although he has repeatedly declined to run for mayor of Puerto Cabezas, there is universal support among all non-FSLN political parties, religious leaders, and civil society groups for Javier Williams-Slate, the former vice foreign minister of foreign affairs under Bolanos. In the RAAS, discussions are under

way to identify a democratic candidate. In this sense, Liberal/opposition unification in the Atlantic Coast is far ahead of Managua and most other departments. However, leaders fully expect Ortega to mount a concerted effort to infiltrate and break-down liberal support using the CPCs, Zero Hunger, and blocking investment to the area (as in the case of Infinity Oil and MKJ) in order to bring the region to its knees.

Opportunities for USG Support

- - - - -

¶14. (C) The Ambassador received over a dozen assistance proposals during his two-day visit to the Atlantic Coast. While personal pleas for assistance and small requests for materials were mixed among the proposals, half were requests to fund civil society organizations or churches to support local outreach or to provide training and education programs targeting youth and marginalized groups. Historically underserved by the national government, the situation for non-Sandinista organizations, including local governments, is becoming increasingly grim as Ortega tightens his grip and chokes-off funding. For example, the mayor of Bluefields complained that he had only 11,000 Cordobas (USD 600.00) to service the needs of 12 communities outside Bluefield's center.

Comment - Churches Represent Strategic Opportunity

- - - - -

¶15. (C) Given the dearth of non-Sandinista NGOs on the Atlantic Coast, the Moravian and Catholic churches represent strategic opportunities for USG-supported programs. They have strong inter-faith dialogue, wield enormous influence within most communities up-and-down the Atlantic Coast, and are increasingly uncomfortable with the Ortega administration. During their meetings with the Ambassador, these representatives provided crisp analysis of the problems facing the costenos and presented sensible ideas and well-developed proposals which position the church as an instrument of social outreach and civic education. Such ideas may help forge the solution to the coast's most overarching problem -- the lack of a unified vision of the region's future -- and encourage greater cooperation among the RAAS and RAAN's ethnically diverse population. Over the coming weeks, we will evaluate these proposals for the Ambassador's democracy fund. In addition, we will reach out to other organizations such the National Endowment for Democracy to facilitate contact. As the battle for control over the Atlantic Coast's political future heats-up and more weight falls on the churches' shoulders to defend civil rights and democracy, we will work to support and strengthen their positions and programs.

TRIVELLI